

2012 GSRA Annual Meeting . October 17. Georgia Public Safety Training Center

The program will include sessions about ERS investing by Executive Director Jim Potvin and ERS/TRS investment staff, financial advice by WSB radio *Money Matters* host and Certified Financial Planner, Wes Moss, and discussion about health insurance issues by Commissioner David Cook and SHBP staff. If you want to ask questions, exhibitors from the SHBP, United Healthcare, Humana, and Tricare will be present to provide you answers. In addition, ERS staff and Peach State Reserves counselors, as well as Wes Moss' *Money Matters* staff, will be available to answer questions.

Peach State Reserves Eliminates Stable Value Fund

GSRA members who have an account in the Stable Value Fund of Peach State Reserves (PSR) have an *Important Decision* to make by *September 28, 2012*. *PSR's Stable Value Fund is being replaced with two new target maturity bond funds, and PSR is adding a money market fund.* All PSR members who have an account have received or will receive information about the new funds and the actions to be taken. You should carefully read the notice and other materials regarding the change in the Plan Information section of the PSR website, www.gabreeze.ga.gov.

For members who choose not to take action with their Stable Value Fund accounts, PSR will automatically transfer all account balances in the Stable Value Fund to the two new funds (50% in each fund) at 4:00 p.m. Eastern Standard Time (market close) on September 28, 2012. If you choose, you can move your Stable Value Fund balance before 4 p.m. September 28th, to any other PSR investments (the Money Market Fund will be available for transfer beginning September 28th).

The new funds are managed by BlackRock. As of June 30, 2012 BlackRock had \$3.56 trillion under management across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. Additional information about BlackRock is available at:

<http://www2.blackrock.com/global/home/index.htm>.

GSRA officers have talked with the PSR investment staff about the change. We recognize that no one likes to be told that an investment option is being eliminated when you have money in the fund. In this case, however, it seems that the upcoming change is good future strategy in today's financial market to provide an option with an objective to preserve principal and provide an expected yield rate. As stated in the PSR letter, the credit crisis of 2008 has resulted in several stable value providers discontinuing stable value type investments. Therefore, changing the character of the investment at this time is better than waiting until this type investment is no longer available and being forced to change in an unfavorable market.

Although the new bond funds are not guaranteed—principal or yield rate—each of the target bond funds will announce an expected yield rate. If you leave your account balance in the fund until the target maturity date (2015 or 2017), you should expect the yield to track closely to the posted yield rate. However, GSRA encourages members to review the “Risk Factors” that are outlined in the PSR website (plan information).

Many retirees may have already liquidated or rolled-over their deferred compensation or 401(k) accounts. However, Executive Director Jim Potvin recently provided a report to the Board of Trustees showing that the Stable Value Funds totaled \$362.1

million on March 31, 2012. He stated that about 40-50% of this balance is owned by retirees.

Members will need to liquidate all or some of these funds beginning at age 70.5 and continuing thereafter. Therefore, if you are approaching age 70 and have a balance in the Stable Value Fund, we point out the importance of determining your cash withdrawal needs for the next several years so that you can preserve the value of your account. It may be to your advantage to move the needed amount to the new money market fund rather than leaving your cash requirements in the target bond funds. Consider the following:

- ***If you are under age 70.5 and you plan to delay withdrawing any or all of your account balance,*** your decision may be to leave your account and allow PSR to automatically transfer your Stable Value Fund balance on September 28th.
- ***If you are at least 70.5 or are nearing age 70.5, the IRS requires you to liquidate an amount each year that is referred to as the “required minimum distribution.”*** In this case, you may want to determine (probably with the help of GaBreeze) the amount of the minimum required distributions for up to 5 years.

- ***If you plan to liquidate any or all of your stable value account in the next five years,*** you may want to move your account balance into the money market fund or another investment fund on September 28th, to reduce any risk to the lowest level.
- ***As a retiree, you also have the full range of withdrawal options (part or total account): (a)liquidate and pay income tax, (b)rollover to an individual IRA, or (c)rollover to a Roth IRA (pay income tax).*** ***Caution:*** If you are **under age 59.5** and participated in the stable value fund under the 401(k) plan, check with GaBreeze about withdrawal options to avoid having to pay a penalty.

Most of this article addresses retirees who have Stable Value Account balances. However, if you are an active employee, consider the above points for the time when you retire. Regardless, if you are retired or active, you are encouraged to review the letter that you will be receiving from Peach State Reserves and study the “plan information” that is available on the GaBreeze website (www.gabreeze.ga.gov) or contact GaBreeze at 1-877-342-7339. When you have determined your liquidation plan, and decided what investment funds are most appropriate for you, follow the instructions for “Change Investments.”

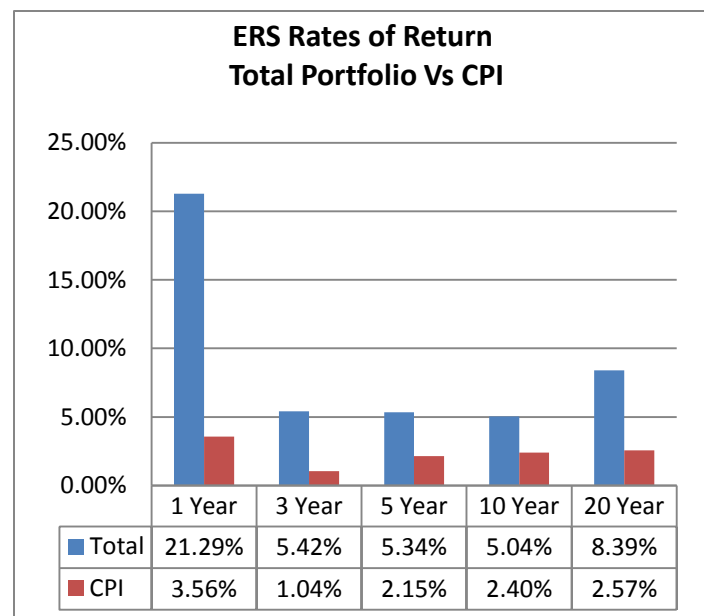
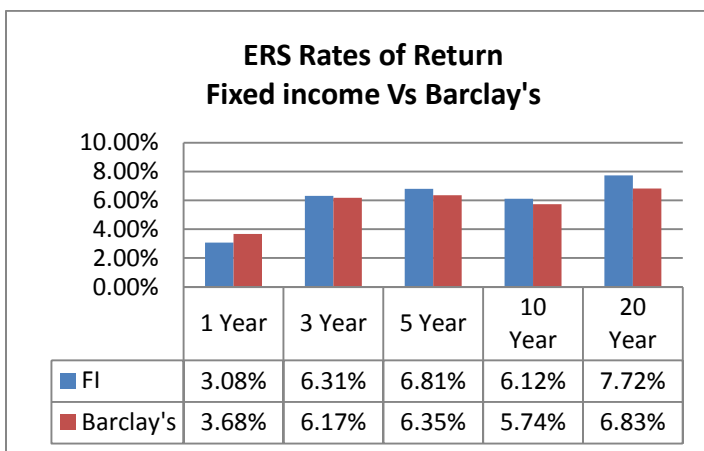
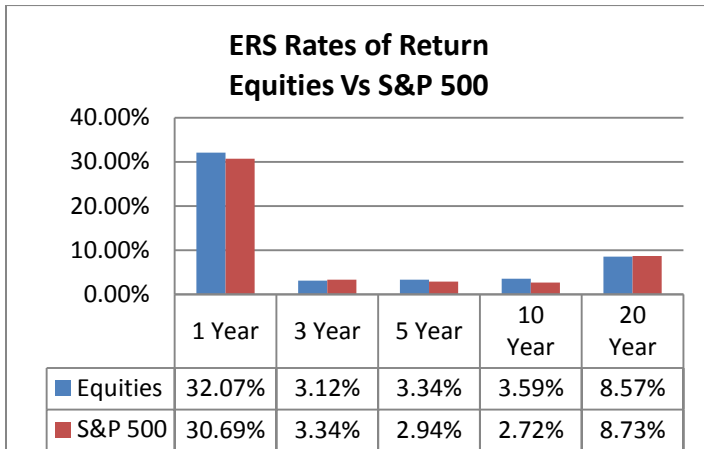
Investment Return for FY 2011 Highest in 23 years

The Employees Retirement System’s Comprehensive Annual Financial Report shows that the investment return for FY 2011 was 21.29%—the highest in 23 years—and exceeds the comparative indices for the year. The return demonstrates that for the most part the trust funds managed on behalf of the ERS have recovered in total, but continue to show the stress of the 2008-2010 recession. In addition, the Report outlines investment authorizations and policies and distribution of investments.

The ERS’ stated objective is to meet long term benefit promises through contributions that remain approximately level as a percent of member payroll while maintaining an actuarially sound system. Investment return is the largest revenue component—

long term—to fund benefit promises. Although the System maintains sufficient cash to meet its immediate liquidity needs, other cash is placed, as directed by the Board of Trustees, in other investments.

In FY 2011 the pooled fund generated a return of 21.29%, the highest return in 23 years, as the fund continued to recover from the 2008-2009 declines.

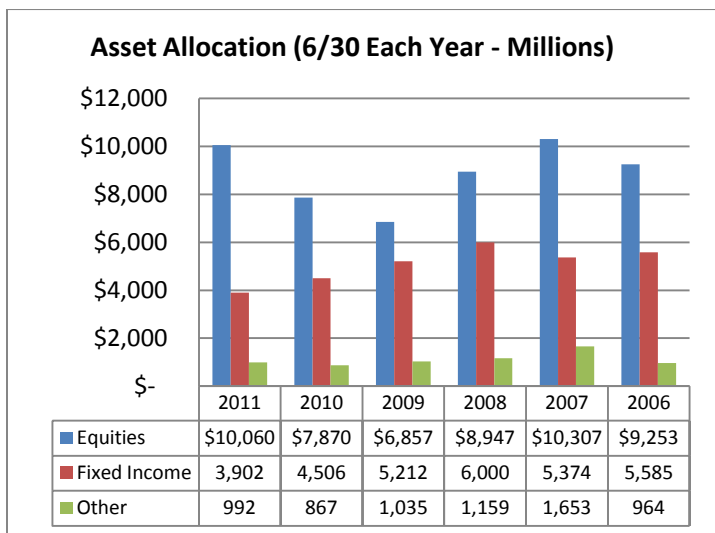


The FY 2011 rate of return was excellent and better than most of the appropriate benchmark indices, the 3-year, 5-year, and 10-year rates of return show stability, and the 20-year total return rate exceeds the actuarially used discount rate of 7.5% that is used in projecting actuarial liability. The long-term return rates demonstrate investing success in accordance with Board of Trustees strategy.

Georgia law §47-20-82 through §47-20-87 provides broad authorization to large retirement systems for investing in U.S. governmental instruments, corporate equities and debt instruments, savings accounts, collateralized mortgage obligations, real property (in limited circumstances) and alternative investments, such as private equity. Such law also provides restrictions to limit risk and to encourage diversification. Toward this goal, the law limits investment in equities to 75% (no more than 20% in a year) and alternative investments to 1% each year up to a maximum of 5% of assets.

Studies indicate that the asset allocation decision has the most impact on a fund's return—equities usually outperform fixed income and cash by a very wide margin. The Board of Trustees adopted a strategy of investing funds in a mix of high quality bonds and stocks that allow participation in rising markets while controlling the downside risks. Generally, ERS has maintained a significant equity exposure with the remainder of the trust fund in fixed income securities designed to generate income and preserve capital.

Asset allocation as of June 30 for six years is compared. The investment staff recognizing that equities were undervalued in 2008-2009, began moving funds into equities in 2010-2011 and reducing the percentage of funds in fixed income instruments. Note that the rate of return for equities and fixed income has varied over the years. Investment staff has the flexibility to invest in the most appropriate sector given the market conditions.



Another way of showing investment distributions is to reflect market values for the major financial sectors as reflected in the table below.

Market Value Assets (Total ERS Trust Funds - Thousands)

	%	2011 Market Value	%	2010 Market Value
Domestic Equities	50.5	\$7,556,866	44.0	\$5,820,473
International Equities	16.7	2,503,496	15.4	2,050,011
US Treasuries	15.8	2,361,012	20.2	2,673,779
US Agencies	0.2	22,272	1.9	244,955
Corp & Other Bonds	8.1	1,212,752	9.8	1,302,714
International Govt	1.5	218,352	1.5	195,900
International Corp	0.6	87,213	0.7	88,327
Mutual & Common Trust Funds	6.6	991,710	6.5	867,117
Total	100%	\$14,953,673¹	100%	\$13,243,276

Total asset market value for all ERS administered trust funds increased \$1.8 billion during FY 2011.

¹ Does not include the net of cash, capital assets, and current liabilities of \$526,041, p. 16 of Comprehensive Report.

ERS Trust Funds (FY 2011-Thousands)

All ERS Trusts	
Net Assets (2010)	\$ 13,678.6
Revenue (All Contributions)	427.6
Net Investment Income	2,770.1
Benefit & Administration Expense	-1,396.5
Net Assets (2011)	\$ 15,479.8

Investment Advisors are evaluated and selected by the Board of Trustees based on sound investment principles and investment objectives. On June 30, 2011, the Advisors were:

- Albritton Capital Management
- Mondrian Investment Partners Limited
- Munder Capital Management
- Barrow, Hanley, Mewhinney & Strauss
- Cooke & Bieler
- PENN Capital Management
- RidgeWorth Capital Management
- Sands Capital Management
- Fisher Investments
- Mesirow Financial Investment Management

Investment Fees and Commissions for FY 2011 were:

Investment Fees & Commissions

Investment Advisory Fees	
U.S. Equity	\$4,072,868
International Equity	1,864,980
Miscellaneous	3,906,046
Total Advisory Fees	\$9,843,894
Investment Commissions	
U.S. Equity	3,687,679
International Equity	1,745,324
SEC Fees	46,639
Total Commissions	\$5,479,642
Total Fees & Commissions	\$15,323,536

The [Comprehensive Annual Financial Report](#) for FY 2011 includes complete financial, actuarial, and investment information and can be viewed on the ERS website. FY 2011 investment performance is impressive, with a return of 21.29%; however, the 5-year, 10-year, and 20-year rates are important for the future health of the trust funds and to reflect year-to-year volatility.

FY 2012 Investment Return

ERS has released the total investment return rate for FY 2012 at 2.2%. As pointed out in the Investment article, year-to-year fluctuations are inherent in today's economic and financial markets. Although the return is much less than in FY 2011, it is two times the 1% rate recently announced by CalPers—the largest pension system in the U.S.

GSRA Strives to Mitigate ERS Proposed 3% Tax Offset Cut

As reported in the GSRA July newsletter, Executive Director Jim Potvin presented various methods to change pension benefits to reduce the long-term pension liability of the Employees Retirement System. The change that would have the greatest reduction—estimated at \$18.75 million each year—in the Annual Required Contribution rate is the elimination of a 3% tax offset applied as an increase to the first \$37,500 to new retirees' pension benefits. TRS has already discontinued the tax offset for its members retiring on and after January 1, 2013.

Although the change will have no impact on current retirees, any employee retiring after the effective date—not yet announced—will not have the first \$37,500 of their retirement salary increased by 3%. GSRA, recognizing the negative impact on new retirees, is asking the Board of Trustees to take no action to eliminate the tax offset or at minimum to delay

implementation to allow a phased approach. See the [position paper](#) for full details of the request.

GSRA leaders and Georgia County Welfare Association (GCWA) executive director Wayne Drummond are meeting with Director Potvin, Board Chair Harold Reheis, and other Board members to discuss the request for delay and phased-in approach. GSRA's concerns are for the employees who have not received increased compensation in four years and the anticipated resulting hurried decisions to retire before the effective date of the policy change; thereby causing increased turnover of seasoned employees. The GCWA has also prepared a [position paper](#) on this issue.

GSRA will continue to monitor the progress of this important ERS proposal and advocate on behalf of its active employee members and future state retirees regarding it.

Local Chapter News

Savannah Coastal

State Representative Ron Stephens of Savannah was the featured speaker at the July meeting of the Savannah Coastal local chapter at Carey Hilliard's Southside restaurant. Mr. Stephens presented a very informative, straightforward message about the state's finances, and the issues and choices the state faces. Members greatly appreciated Representative Stephen's willingness to meet, listen to member concerns, and provide honest feedback.

It was a great turnout by local membership, with 55 members in attendance, some coming from as far away as McIntosh, Bulloch and Jenkins counties. Several new retirees were welcomed in at the meeting, and Savannah Coastal looks forward to continuing to grow the chapter.



Savannah Coastal officers Dee Dee Redding, Mary Hodge, Allan Hill, Becky Covington and Charlotte Rehmert with Rep. Stephens

Member Spotlight



This month's Member Spotlight is John Swiderski. John, a member of the Valdosta local chapter, joined GDOT in September, 1970 as an Accounting Clerk and later Accountant, working nine years in the Accounting Section for Right of Way in the GDOT General Office. In 1979 he was selected to serve as District Administrative Officer for the Cartersville District, responsible for a wide range of administrative and support functions, including Personnel, Accounting, Budget, Safety, EEO Compliance and Purchasing. The position gave him the opportunity to be involved in the State Fiscal Management Council and the State Personnel Council. In 1995 he went back to the General Office as Office Head for General Support Services. Retirement beckoned on August 1, 1998, taking John and his wife, Kate, a retired teacher, to Valdosta. We asked John to answer some questions about his public service career and retirement.

Q – What was your first job in state government? Why did you want to work in public service/state government?

My first job with GDOT was as an Accounting Clerk in the Right of Way Office on Capitol Hill. I had no thoughts of a career in state government at the time. I had worked in the computer industry and electronics for ten years. When the company hit a slump in business I was offered the choice of relocating or being laid off. I was pursuing an Accounting degree at Georgia State at the time and left the company. I found the Acctg. Clerk job posted at the University placement office. It was only later when I had earned my degree and was promoted to Accountant that staying on with GDOT seemed to be a good career option.

Q - Did you have a role model or mentor in your public service career? If so, who was it and how did they help?

A – Yes my mentor and good friend throughout my GDOT career was the late James R. (Ron) Martin, long time Director of Accounting and later Treasurer. He pointed me in the right direction and was instrumental in bringing me back to Capitol Hill the last few years of my career as an Office Head in his organization. I also had the pleasure of serving with him on the GDOT Credit Union Board for a number of years. While not public service (and volunteer at that) we did provide a sound and safe credit union for the GDOT family.

Q – What's the biggest challenge you faced in your public service career?

A – Fortunately there were not many, but I did have to carry out terminations from time to time and several of those were quite difficult. GDOT workers face very hazardous working conditions. During my time in the Cartersville District I was the one who met with survivors of employees who died on the job to go over their benefits and counsel with them. Difficult yes, but rewarding none the less as they always appreciated the Department's prompt and caring response to them.

Q – What was the best thing about your public service career?

A – Working with a quality agency that expected your best and led by example. For the majority of my GDOT career there were just three Commissioners, Tom Moreland, Hal Rives and Wayne Shackelford. They were top notch leaders which made it pretty easy to want to excel in your own assignments.

Q – What was the worst thing about your public service career?

A – You can scratch this one – I was very proud of and happy with my 30 years at GDOT.

Q - What do you think is the biggest change in state government we will see in the next 10 years?

A – I have a vested interest in the future of Georgia state government as my older son, Jeff, is a Road Design Engineer with GDOT nearing 15 years of service. I hope that the current trend to downsize and contract out will slow down.

Q - What have been your favorite hobbies or activities in retirement?

A - About the time I entered into state service, I became aware of birds and bird watching, becoming a very active birder. This led to an association with Georgia Ornithological Society where I served as everything from flunky to President with long stints as Treasurer and Business Manager. I also have a lifelong interest in railroads and railroad history that continues. I have a reasonably good tenor voice and sing in church choirs and with the Valdosta Symphony Chorus, which led to singing with a choral group in Lincoln Center, New York City, in 2011.

Q – What makes retirement rewarding for you?

A – Having time to enjoy our grand-daughter, Katie, about to enter 7th grade and a straight A student. Giving back through volunteer work for church, Friends of the Library and Habitat for Humanity

among others. And Kate and I have been able to travel several times a year the past 14 years including birding trips to Panama and Costa Rica.

Q - What is the biggest challenge you see for state retirees in 2012 and beyond?

A – Continuing to be vigilant about legislative initiatives that would affect us. We will also have to work to “educate” the legislative newcomers so that

hopefully they will have some sense of respect and appreciation for state employees and retirees.

Q – How do you think retirees could address that challenge?

A – As GSRA has grown to over 4,000 members we are being heard by the politicians and legislators. How much more effective would we be with twice or three times as many members?

GSRA New Members in June

Name	County	Name	County	Name	County
Carolyn Allen	Oconee	Daniel Frey	Cobb	Anita Price	Cobb
Jim Anderson	Fulton	Gary Gann	Rockdale	Marie Richardson	Dekalb
Sandra Bennett	Jones	Jane Garrison	Chatham	Gerard Roets	Gwinnett
Tex Bentley	Dodge	Judy Garvin	Jenkins	Mark Smith	Coweta
Lester Boyd	Fulton	Gayle Harden	Laurens	Margaret Snyder	Greene
James Buchanan	Muscogee	Brenda Harrell	Lowndes	Fred Stephens	White
Robert Callier	Laurens	Sharon Haworth	Dekalb	Stephen Strickland	Walton
Robert Cato	Cobb	Ernie Hensley	Pickens	Evelyn Sumner	Screven
Janice Cheek	Laurens	Russell Hinton	Gwinnett	Amanda Taylor-Rodriquez	Rockdale
Susan Coursey	Burke	Rebecca Hulsey	Bulloch	Gina Tiedemann	Cobb
Delphenia Davis	Dekalb	Linda Johnson	Harris	Kathryn Webb	Gwinnett
Paula Dixon	Laurens	Alice Mann	Burke		
Linda Dominy	Laurens	Rebecca McCracken	Lowndes		
Julie Driger	Laurens	Rebecca Mobley	Burke		
Bruce Eichenlaub, Jr	Newton	Michelle Murphy	Cobb		
Clarissa Evans	Dekalb	Edward Myers	Columbia		
Freddie Evans, Jr	Bibb	Ina Patrick	Spalding		

ATTENTION GSRA MEMBERS!

GSRA will keep you informed about legislative and administration proposals and actions that impact you **ONLY IF** your current **home** address and **email** address are correct.

Using new software for the first time during the 2012 Legislative Session, GSRA quickly provided you with **Action Alerts** that summarized the proposed legislative action, described the potential impact on retirees and requested you to send an email message to your elected representatives.

The ability to accurately link you and your elected representatives depends on the accuracy of your home address and email address. There is only a short time between when elections are complete and the process of linking your address with your elected representatives takes place. So, please take the time now to access your profile at the GSRA website, www.mygsra.com, and make any needed corrections to your home address and email address.

If you need assistance in accessing the website, please send an email to help@mygsra.com. If you do not have Internet access, you may call 770-312-2799.

GSRA *Endorsed* MEMBER BENEFITS



- Long Term Care / Home Health Care Insurance
- Cancer Treatment Policy
- Medical Air Transportation Services
- Final Expense Whole Life
- Medicare Supplement Plans
- Dental & Vision Plan
- Annuity
- Travel Discounts
- Computer Discounts
- Hearing Solutions
- Hotel Discounts
- Rental Car Discounts

For information on
benefits, call AMBA at
800.258.7041
or visit www.AMBA.info

